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IN THE

Supreme Court of the United States

OCTOBER TERM, 1977

No. 77-92

TAYLOR INDUSTRIES, INC.,

Petitioner,

vs.

PANDUIT CORP.

Respondent.

BRIEF FOR RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

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I. JURISDICTION

Taylor omitted from its Section II entitled "Jurisdiction" that Taylor's petition for rehearing (in banc) was denied by the Court of Appeals for the Sixth Circuit on May 10, 1977.

II. BACKGROUND

In this action for patent infringement between two private corporations, Petitioner (hereinafter Taylor) seeks review of an interlocutory order of a District Court, affirmed by the Sixth Circuit Court of Appeals, enjoining Taylor from infringement of a patent adjudicated valid as a result of extensive litigation

in which Taylor's president participated, *Panduit Corp.* v. *Stahlin Bros. Fibre Works, Inc.*, 298 F. Supp. 435 (W. D. Mich. 1969), aff'd, 430 F. 2d 221 (6th Cir. 1970), cert. denied, 401 U. S. 939, contempt action, 338 F. Supp. 1240 (W. D. Mich. 1972), aff'd, 476 F. 2d 1286 (6th Cir. 1973).

III. RESTATEMENT OF THE QUESTION PRESENTED

The sole issue presented by the record in this case is whether the District Court judge abused his discretion when he issued an interlocutory order enjoining Taylor from infringing an adjudicated valid patent on the condition that Respondent (hereinafter Panduit) post a bond in accordance with Fed. R. Civ. P. 65(c), the $25,000.00 amount of which was stipulated by Taylor as being adequate to satisfy Taylor's damages in the event the injunction were subsequently found to be improvidently granted.

IV. ADDITIONAL STATUTES INVOLVED

While Taylor's Petition sets forth some of the pertinent statutes involved, the Petition overlooks 35 U. S. C. § 154, 35 U. S. C. § 282, and Fed. R. Civ. P. 65(c).

Section 154 of the Patent Act of 1952, Title 35, United States Code, states in part:

> "Every patent shall contain a . . . grant to the patentee, his heirs or assigns, for the term of seventeen years, . . . of the right to exclude others from making, using or selling the invention throughout the United States. . . ."

Section 282 of the Patent Act of 1952, Title 35, United States Code states (first sentence):

> "A patent shall be presumed valid."

Fed. R. Civ. P. 65(c) states (first sentence):

> "No restraining order or preliminary injunction shall issue except upon the giving of security by the applicant,

in such sum as the court deems proper, for the payment of such costs and damages as may be incurred or suffered by any party who is found to have been wrongfully enjoined or restrained."

V. STATEMENT OF THE CASE

The Walch patent in suit issued on March 6, 1962 and will expire on March 6, 1979. Since the date of issuance of the Walch patent, there have continually been competitors of Panduit who have infringed Panduit's patent rights by imitating the patented subject matter (App. 76).* Panduit first brought a patent infringement suit against Stahlin Bros. Fibre Works, Inc., which resulted in an adjudication of validity and infringement, 298 F. Supp. 435 (W. D. Mich. 1969). The Court of Appeals for the Sixth Circuit affirmed the District Court's decision of validity and infringement of the Walch patent, 430 F. 2d 221 (6 Cir. 1970) and this Court denied certiorari on March 1, 1971, 401 U. S. 939.

Shortly after the District Court originally found the patent in suit valid, Panduit filed patent infringement actions against the remaining infringers, including Taylor. While the other infringers ceased infringing and entered into consent judgments acknowledging validity and infringement of the patent in suit, Taylor continued its infringement and became Panduit's only competitor for the patented product (App. 75-76).

The parties to the present action very actively engaged in discovery efforts since the patent infringement suit was filed. Although it was previously indicated that a trial would be forthcoming, the District Court's docket of cases became so heavy that a trial in the near future appeared unlikely. With the patent in suit about to expire in 1979, it became apparent that by the time the action reached a final adjudication, the patent

* App. ..... refers to the page number(s) of the Joint Appendix filed in the case below, Panduit Corp. v. Taylor Industries, Inc., Court of Appeals for the Sixth Circuit, Docket No. 76-2315.

would probably have expired. A preliminary injunction thus became essential to Panduit's realization of its exclusive right to the invention.

After Panduit moved for the preliminary injunction, extensive briefs, exhibits and affidavits were filed by both parties, with the District Court holding a hearing on the motion, at which hearing both sides presented factual and expert testimony (App. 57-221). At the hearing, the president of Panduit testified that Panduit was founded on the wiring duct of the patent in suit, and that since the patent in suit issued there has always been vigorous competition, but Taylor is now Panduit's sole competitor for the patented product. The testimony brought out that Panduit would never enjoy the constitutional benefits of its patent if a preliminary injunction were not granted (App. 74-76).

At the hearing, the Court was provided with extensive exhibits and testimony regarding the infringement issue, and Taylor's accused duct was compared with the Stahlin duct which was previously held to infringe and was also compared with Claim 5 of the patent in suit, with which claim the District Court was extremely familiar as a result of the previous litigation (App. 78-99). Expert testimony by a patent attorney was introduced to show that Taylor's duct was a literal infringement of Claim 5 of the patent in suit (App. 129-138).

During the hearing, Taylor's counsel stipulated to an injunction with respect to certain discontinued ducts made by Taylor (App. 81). Further, Taylor did not present any testimony relating to any possible harm to Taylor as a result of the preliminary injunction. After closing arguments were made, the District Court ruled that Panduit's motion for a preliminary injunction was in order and that a bond would be required (App. 202-217). Shortly thereafter, Panduit's counsel and Taylor's counsel stipulated that a $25,000.00 bond would be satisfactory (App. 217-18).

Although the District Court refused to stay its injunction, the Court of Appeals ordered the injunction stayed pending the appeal (App. 32). In its appeal, Taylor presented the same arguments to the Court of Appeals that Taylor is presenting in its Petition for Writ of Certiorari. On April 19, 1977, the Court of Appeals ordered its stay of the preliminary injunction vacated and affirmed the District Court's Order issuing the preliminary injunction. Taylor's present arguments were repeated in its Petition for Rehearing (in banc) which was denied by the Court of Appeals on May 10, 1977. Taylor then applied to this Court under 28 U. S. C. § 2101(f) for a stay of the preliminary injunction. Taylor's application was denied by Justice Stewart on May 27, 1977.

VI. ARGUMENT

Panduit respectfully submits that this case is not an appropriate one for the issuance of a Writ of Certiorari. The decision of the Court of Appeals for the Sixth Circuit follows the decisions of other Federal Courts in patent infringement actions in which the patent in suit has previously been held valid and infringed. There is no conflict with any policy enunciated by decisions of this Court nor did the courts below apply any criteria to the specific facts of this case that was different than the conventional criteria applied in deciding whether a preliminary injunction should issue.

The Decisions Below Are in Accord with Conventional Policy in Patent Infringement Cases

Taylor contends that notwithstanding the fact that the patent in suit was previously held valid and infringed, before granting a preliminary injunction the Trial Court must hear evidence and consider every prior art item that the accused infringer believes is pertinent. This contention is at odds with federal court practice and is totally impractical. The courts below followed the

only realistic approach available, and there is no need for review by this Court.

First, under the patent statute (35 U. S. C. § 282) "A patent shall be presumed valid." After the extensive *Panduit* v. *Stahlin* litigation, in which Taylor's president was a witness on behalf of Stahlin, the patent in suit was held valid by the District Court, the validity and infringement decision was affirmed by the Court of Appeals and certiorari was denied by this Court. Acquiescence with respect to validity was shown by the consent judgments entered into by Panduit's other competitors except for Taylor.

Since the patent in suit has previously been held valid after a full trial on the merits, Taylor's claim that "new prior art" has been found may entitle Taylor to a consideration of such prior art by the Trial Court *at final hearing*, but not on a motion for preliminary injunction.

The Patent Office is an inexhaustible storehouse of prior art patents. If every prior art item that the accused infringer thought was pertinent to the patent in suit had to be considered by the Trial Court in a preliminary injunction hearing, with detailed testimony required by experts for both sides, it would result in a full-scale trial, equivalent to the final hearing. The citation of additional prior art by accused infringers would be a perfect ploy to prevent a preliminary injunction from ever issuing in a patent case.*

Although Taylor states that its new prior art invalidates the patent in suit, this very same "new prior art" was previously before the District Court in the case of *Panduit Corp.* v. *E. C. P. Corporation*, No. C 69-354 (N. D. Ohio, filed May, 1969). In that case, the District Court considered this "new prior art" and denied E. C. P.'s motion for summary judgment

* *Fireball Gas Tank & Illuminating Co.* v. *Commercial Acetylene Co.*, 198 F. 650 (8th Cir. 1912); *Gordon Johnson Co.* v. *Hunt*, 109 F. Supp. 571, 573 (N. D. Ohio 1952); *Wayne Mfg. Co.* v. *Coffield Motor Washer Co.*, 209 F. 614 (8th Cir. 1913).

of invalidity. Thereafter, E. C. P. entered into a consent decree of validity and infringement and ceased manufacturing and selling the infringing wiring ducts.

Another reason why this Court should deny certiorari is that the first question presented by Taylor is uniquely narrow and not one of significant public importance. This is because it is rare indeed to find a patent infringement case in which the patent had previously been held valid and infringed, affirmed by the Court of Appeals, certiorari denied by this Court, the president of the accused infringer was a witness in the prior adjudicated case, other competitors had relied upon the same prior art now presented and acquiesced as to the patent's validity by consenting to judgments entered against them, and the patent in suit was about to expire. Review of the first question by this Court is totally unwarranted.

The Necessary Equitable Considerations Were Taken Into Account by District Court

As to the second question presented by Taylor, there is clearly no conflict between circuits nor is the question of such importance as to need this Court's review. Additionally, the second question relates only to the specific facts of the instant case and affects only the instant corporate litigants. The reasons for denial of the writ are overwhelming.

Without going into unnecessary detail, it was shown at the hearing that Panduit would be irreparably harmed if the injunction were not granted. Although authors and inventors have a constitutionally guaranteed "exclusive right to their respective writings and discoveries" (U. S. Const. Art. I, § 8) and 35 U. S. C. § 154 grants to the patent owner "the right to exclude others from making, using, or selling the invention throughout the United States", Panduit has owned the patent in suit since its issuance in 1962, but has never had the benefit of this exclusive right until Taylor was enjoined from infringing the patent in suit. Since the District Court's docket is extremely

heavy and it is unlikely that the present case will be fully tried in the near future, without the preliminary injunction Panduit would be unable to enjoy its exclusive right to market the product, since the patent will expire in less than two years. Without the preliminary injunction, Panduit will always have had a competitor marketing the patented invention, clearly contrary to the constitutional intent and to the intent of the Patent Act.

Although Taylor's president was called as a witness by Taylor's counsel at the hearing, at no time during the hearing did Taylor's president or any other witness attempt to give any testimony relating to any possible injury to Taylor from a preliminary injunction. After the District Court ruled that a preliminary injunction should issue, Taylor's counsel stipulated to a bond in the amount of $25,000.00 as sufficient security "for the payment of such costs and damages as may be incurred or suffered by any party who is found to be wrongfully enjoined or restrained" (Fed. R. Civ. P. 65(c)). The $25,000.00 security bond has been provided by Panduit (App. 34-36). Taylor's stipulation as to the amount of security required in the unlikely event that Taylor is found to be wrongfully enjoined, belies Taylor's argument of irreparable injury.

Not until after the hearing was over, after the District Court had granted a preliminary injunction, and after Taylor stipulated to a $25,000.00 bond, did Taylor claim that it would be injured in *ex parte* affidavits filed in connection with Taylor's motion for a stay of the injunction.

In actual fact, it was pointed out at the hearing that Taylor need not do any real redesigning and need only make "very simple, very inexpensive tooling changes" to produce non-infringing ducts from the enjoined ducts (App. 95-96) which changes were made by Taylor within weeks after the injunction. This testimony was not challenged by Taylor at the hearing. It was also brought out that Taylor's competitors now make and sell non-infringing ducts, which are structures freely open to Taylor for manufacture and sale (App. 77).

The necessary equitable considerations typically taken into account in the granting of a preliminary injunction were present in the instant case and were taken into consideration by the Court. Review of the lower courts' decisions by this Court is unwarranted because, in addition to the correctness of the decisions below, the facts upon which such decisions were based are unique to the instant case and are certainly not duplicated in other cases.

Review Is Unwarranted Because There Is No Conflict in Circuits and Because of the Uniqueness of the Facts in the Instant Case

There is no contention that there is a conflict of decisions with respect to the third question presented by Taylor. The preliminary injunction was granted upon facts unique to the instant case and it will affect few others than the corporate litigants here. Further, the granting of a preliminary injunction was eminently correct based on the particular facts presented to the Court.

The validity of the patent in suit was not finally determined until March, 1971, when this Court denied certiorari after the Court of Appeals affirmed the District Court's holding of validity. Substantial discovery had to be taken and was taken. Panduit was involved in many other litigations, including a contempt action against Stahlin after Stahlin had been enjoined from infringing the patent in suit. The scope of the patent was further interpreted in the contempt action which resulted in a 1973 Court of Appeals decision. Further, although Panduit had expected a much earlier trial date, it became apparent that an early trial was unlikely. Thereupon, Panduit filed the motion for preliminary injunction.

During the hearing on Panduit's motion for preliminary injunction, counsel for Taylor moved for dismissal of the motion contending that Panduit had unreasonably delayed in moving

for a preliminary injunction. After argument by both sides, the Trial Court denied Taylor's Motion, finding that Panduit energetically pursued its patent rights and stating (App. 69-70):

> ". . . The Plaintiff has energetically pursued its patent rights, giving constant notice of its intent to seek preliminary injunction, and the Defendant can show no reliance otherwise. . . . The Plaintiff can make—or, made such an assertion and gave such notices and pursued this case vigorously, an insistent and persistent urging of the Court to get at this case and try it.
>
> Motion for dismissal by reason of laches is denied."

Clearly the time period during which Taylor was allowed to continue infringing the patent in suit only served to benefit Taylor, not Panduit. The particular circumstances which determine when a motion for a preliminary injunction should be made vary from case to case and the decision in this case is unique to this case and this case alone. Thus review of the case with respect to the third question by this Court is totally unwarranted, in view of the little effect, if any, this question will have with respect to other litigants.

VII. CONCLUSION

Taylor was given full and fair consideration by the courts below with respect to all of the legal and equitable principles involved in the granting of a preliminary injunction. The patent in suit had been finally adjudicated valid, with Taylor's president having testified on behalf of the defendant in that case. The Trial Court heard testimony with respect to the infringement issue and found that Taylor's accused devices infringe the patent in suit. Panduit presented evidence of irreparable injury if the injunction were not granted, but no such evidence was presented by Taylor on its behalf. Panduit has provided a $25,000.00 bond which Taylor's counsel stipulated was adequate in the event of damage caused by an improperly granted injunction.

It is submitted that a writ of certiorari is unwarranted in this case and Taylor's petition should be denied.

Respectfully submitted,

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